

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 INT-08 NSC-10 SS-15 STR-08

CEA-02 L-03 RSR-01 IGA-02 /139 W

----- 121807

R 182141Z JUL 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4947

C O N F I D E N T I A L SANTIAGO 3193

PASS OPIC, EXIM AND TREAS

EO 11652: GDS

TAGS: CI BDIS

SUBJ: GOC-CONTINENTAL COPPER NEGOTIATIONS

1. SUMMARY: CONTINENTAL COPPER NEGOTIATORS CURRENTLY DISCUSSING WITH GOC POSSIBLE SOLUTION TO PROBLEMS AFFECTING SAGASCA COPPER MINE. CONTINENTAL IS PESSIMISTIC ACCORD CAN BE REACHED. IF TALKS FAIL, CONTINENTAL PLANS PURSUE CLAIM ON OPIC FOR EXPROPRIATION INSURANCE. END SUMMARY

2. CONTINENTAL COPPER (CC) BOARD CHAIRMAN GORDON CALLED ON AMBASSADOR JULY 17 TO OUTLINE STATUS HIS NEGOTIATIONS WITH GOC REGARDING FUTURE OF CC'S SAGASCA COPPER MINE. GORDON SAID HE CAME TO CHILE BELIEVING AGREEMENT COULD BE REACHED TO SOLVE SAGASCA'S PROBLEMS, WHICH HE SAID PRIMARILY STEM FROM CURRENT LOW ESCUDO RETURN FROM SALES (45 ESCUDOS PER DOLLAR) AND HIGH INFLATION COUPLED WITH MANAGEMENT PROBLEMS, LACK OF SPARE PARTS AND SHORTAGE OF SHIPPING TO EXPORT PRODUCTION. GORDON SAID THESE FACTORS HAD FORCED CC TO SEND IN DOLLARS TO KEEP MINE OPERATING. NOW CC REFUSES TO SEND MORE DOLLARS AND SAGASCA PAYROLL IS BEING MET BY LOCAL BORROWING AT 5 PERCENT PER MONTH INTEREST. AFTER TWO DAYS OF TALKS WITH GOC, GORDON NOW PESSIMISTIC THAT ACCORD

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CAN BE REACHED.

3. GOC POSITION IS THAT LOW PRODUCTION RATHER THAN EXCHANGE RATE IS MAJOR CAUSE SAGASCA'S PROBLEM. GOC HAS PROPOSED THAT ALL PROCEEDS FROM COPPER SALES BE GIVEN TO CENTRAL BANK. GOC WOULD THEN GUARANTEE SUFFICIENT FOREIGN EXCHANGE FOR PURCHASE OF SPARE PARTS AND EXTERNAL COSTS OF SALES. GOC WOULD ALSO COVER ALL ESCUDO PRODUCTION COSTS. AFTER THESE COSTS DEDUCTED SAGASCA WOULD BE ALLOWED TO PAY PERCENTAGE OF LEFTOVER TO SERVICE FOREIGN DEBT. IN ADDITION, GOC WANTS SAGASCA TO DEPOSIT FIRST \$3.5 MILLION IN PROFITS IN CENTRAL BANK AT NO INTEREST. CENTRAL BANK WOULD THEREAFTER ALLOW PROFIT REPATRIATION LIMITED TO 12 PERCENT OF INVESTED CAPITAL. GOC ALSO WANTS CODELCO GIVEN EQUAL PARTICIPATION IN MINE MANAGEMENT AND 50 PERCENT OF VOTING STOCK.

4. GORDON SAID THAT GOC'S UNREASONABLE TERMS ON ONE HAND AND REFUSAL TO INCREASE ESCUDO RETURN FROM SALES ON THE OTHER AMOUNT TO "EXPROPRIATION BY ECONOMIC STRANGULATION". HE NOTED THAT OPIC DISAGREES WITH THIS INTERPRETATION BUT SAID THAT IF SOLUTION NOT FOUND HE INTENDS TO PURSUE CASE WITH OPIC ON THIS BASIS.

5. GORDON PROVIDED EMBASSY WITH COPY OF CODELCO SUMMARY OF TALKS THROUGH JUNE 23 WHICH EMBASSY POUCHING TO OPIC CC NEGOTIATORS PLAN TO CONTINUE DISCUSSIONS WITH GOC THROUGHOUT WEEK.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 18 JUL 1973  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
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**Executive Order:** GS DAVIS  
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**TAGS:** BDIS, EIND, CI, OPIC, CONTINENTAL COPPER  
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